

**SUSAN
GEORGE**

**SHADOW
SOVEREIGNS**

**HOW GLOBAL
CORPORATIONS
ARE SEIZING
POWER**

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To Nick

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How Global Corporations Are Seizing Power

Susan George

polity

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In the course of my life I have developed five little democratic questions. [Ask a powerful person]: 'What power have you got? Where did you get it from? In whose interests do you exercise it? To whom are you accountable? And how can we get rid of you?' If you cannot get rid of the people who govern you, you do not live in a democratic system.

Tony Benn, 1925–2014, Farewell
speech to Parliament, 2001

INTRODUCTION

We're surrounded. Everywhere you look you find masses, droves, gangs of unelected, unaccountable, profit-oriented individuals, corporations and new institutions surfacing everywhere, making official policy in areas ranging from public health to food and agriculture; from taxes to finance and trade. Some are lobbyists for particular private companies or for entire industries, others executives of the world's largest businesses, often with a turnover much greater than the Gross Domestic Product (GDP) of many of the countries where they operate; more and more often, the entities they have created have become quasi-governmental bodies cooperating across national frontiers.

Their role is overtly political and they exercise illegitimate power. They work through lobbies but also directly through governments – not just by convincing elected officials to pass this law or that one, but also through obscure 'expert committees' or ad hoc bodies whose quiet 'mission creep' may gain them official standing. Their activities may be carried out for the benefit of a single company or for an entire industry. Sometimes

they form their own powerful international organizations with large budgets devoted to intervention in world affairs. They have become expert in the careful preparation of strategic trade treaties to be negotiated in secret but under the constant surveillance of corporate delegates.

They've got ordinary citizens under their broad thumb, an appendage also used to thumb their noses at the public interest and the common good. Throughout North America and Europe in particular, this corporate spawn is spearheading an important political shift that I call the 'rise of illegitimate authority', and the constellations of organized interest groups constitute a genuine threat to democracy.

I am not against private enterprise. Business is all very well in its proper sphere. But government in the usual sense, carried out by clearly identifiable, democratically elected officials, is gradually being eroded, sometimes even supplanted by shadow 'governments' to which these officials have made huge concessions. This may happen by choice, because officialdom is scared of the giants or admires and wants to pander to them. To be more generous, the bureaucrats and leadership may simply be blind to the long-term implications of their choices. In any case, they have handed over substantial power to these behemoths that now make decisions in innumerable areas that affect our lives.

I've chosen to call these giant corporate actors 'transnationals', or 'TNCs', rather than 'multinationals', which many people use; first, because TNC is the official United Nations usage; more importantly, because the executives who occupy the upper, strategic levels of the largest companies are usually natives of the same country as that of their international headquarters. The companies they run are certainly 'multi'-national in the sense that they have offices, sales and production facilities in a 'multi'-tude of countries, but their top people retain their most relevant family, social, political and cultural connections

in the country where they were born and brought up. They understand how to operate there and have easier access and closer relationships with the government. They will lose less time getting things done in the corporate interest.

For such reasons, the CEO, COO, CFO – Chief Executive, Operations or Financial Officers – like the heads of R&D or executive board members, are more likely to be nationals of the headquarters country than to be foreigners, even nearby foreigners. In this sense, even among the largest corporate entities, Nestlé is Swiss, Total French, General Motors American and Siemens German, no matter how many countries they may operate in.

Perhaps locals are also considered potentially more loyal, although to succeed in the business world such virtues as patriotism or loyalty are necessarily reserved for the company itself. Top executives have scant concern for the ultimate fate of any of the countries where the company has facilities, including their own. If higher profits demand it, they must and will readily close down plants or sack workers, whether fellow-citizens or not.

Since the onset of neoliberal politics at the beginning of the 1980s, which accelerated at the end of the Cold War in 1991 when the Soviet Union disappeared, the number of TNCs has soared. Globalization has given wings to the giant corporations and helped them to create their own meta-organizations to deal with particular world spheres such as trade and the environment. Other outgrowths are both ‘meta’ – above or beyond in Greek – and ‘mega’ – great or powerful – such as the World Economic Forum (WEF), better known by the name of the Swiss skiing resort where since 1971 it has met yearly: Davos. The growing ambition of the Davos cluster of organizations can be simply defined: to run the world.

I call the WEF habitués the ‘Davos Class’ because they constitute a genuine social class with the usual attributes expected thereof. The people that make up this class are thus

international and nomadic, but they are also a recognizable tribe with their own codes and markers. They have their own languages, not just their native one plus corporatese, but also fluent English. They attended the same or similar universities and business schools, send their children to the same or similar private schools, favour their own watering holes and vacation spots, possess upscale homes in various sophisticated world-class cities, frequent the same meetings (with Davos a must), develop comparable corporate cultures and, of course, have plenty of money.

They are also replaceable – if the man you met in Davos last year is not there this year, then he is no longer President of Bank X or Board Chair of Corporation Y. About 85 per cent of the Davos denizens come from corporations and banks – most of the rest are politicians and there is a smattering of trade unionists, a few acceptable, non-wave-making NGO (nongovernmental organization) people and, for glamour, the occasional movie star.

Unless and until proven wrong, I don't believe in conspiracies, but I definitely believe in *interests* – and that readers are fully capable of distinguishing between the two. A paranoid tale of conspiracy and a factual description of growing corporate power are quite different, even though the latter's signs are all around us and may be difficult to discern for the average person. I hope to provide some clues in these pages. One could write volumes about the TNCs, and the volume of information, alas, grows daily. My goal here is to open the door, not to visit every nook and cranny of the enormous transnational power house.

Before we enter, it's perhaps useful to speak a little about politics in the broadest sense. My chosen subtitle was to have been 'The Rise of Illegitimate Authority', and it's only honest to devote part of this introduction to my motivations and the politics I hope to defend through a factual description of what the TNCs are up to. Like virtually all my work, this book is

about power – who has it, how they use it and to what ends. The power of the TNCs is grounded in the spoken or unspoken ideology known as neoliberalism which is itself profoundly anti-democratic. I want to spell this out and will make some brief distinctions between which authority is legitimate and democratic and which isn't. These may seem obvious, but are also often hidden. Readers will already be well aware of the principles involved.

Then I'll explain why I believe that evidence shows illegitimate authority to be on the rise and democracy to be in serious danger of succumbing to the neoliberal disease. This book concerns the United States and Europe because that is where the great majority of corporations are headquartered and because Westerners live where this ideology is most entrenched. We are confronted by a battle between two models of thought and behaviour. Now we have reached the point where we must choose between the Enlightenment heritage developed since the eighteenth century, on the one hand, and, on the other, what I see as the Great Neoliberal Regression. The Enlightenment tradition is losing, and since I've dealt with this subject more thoroughly in earlier work, this description will be short.

The rest of the book will provide concrete examples of how the functions of legitimate government are progressively being taken over by illegitimate, unelected, opaque agents and organizations. Here the list is constantly lengthening. Its treatment cannot be exhaustive, but it will at least try to show that certain patterns and developments are worth watching. The focus will be on power unaccompanied by accountability; power not required to report to anyone excepting its paymasters concerning its activities and which, being difficult to observe and understand, is equally difficult to counteract. If we hope ever to get the dominant corporations under control, we must first be in agreement and sure of the philosophical and ethical underpinnings upon which we base our demands.

WHAT MAKES POWER LEGITIMATE?

In the Enlightenment tradition, legitimacy depends on democracy and the consent of the governed – otherwise, all forms of rule are merely variations on the theme of oppression whether called tyranny, autocracy, dictatorship or what have you. Illegitimate power in the sense I will use it here specifically excludes tyrannies, dictatorships, one-party authoritarian states and so on – we won't deal with overt political power grabs and those who usurp the normal functions of government. This book merely describes some corporate, profit-oriented bodies and their various organizational servants and outgrowths that assume powers formerly reserved for elected officials or state bureaucracies.

The subtlety of illegitimate power and its capacity to act behind the scenes make it hard to give it a single name – although you could call it 'corporatocracy'. It rarely stems from explicit official decisions; its establishment is almost always gradual, barely perceptible and not usually felt as oppression or usurpation by those who submit to it, knowingly or not.

Here are a few quick distinctions between the legitimate and democratic and the illegitimate and undemocratic. Like all writers and most readers, I know that language isn't innocent and ask the reader's indulgence to get two of my pet hatreds out of the way immediately. The first is 'governance'. Government – a perfectly clear word understood by everybody – is increasingly replaced by 'governance', which is an underhand way of changing its meaning.

Governance in old English or old French did have a connotation of statecraft and of keeping public order, but the word mostly designated personal conduct, the governance of a person's behaviour, children, household, etc. The word got adopted by business in the 1970s in the phrase 'corporate governance' and has gained ground ever since. The European Commission –

another unelected body – uses ‘governance’ almost exclusively as if it were the same thing as government. It isn’t. As some wit has put it, ‘Governance is the art of governing without government’, which is what the Commission does every day. Partly, I think it hopes to avoid such thorny issues as mentioning ‘government’, which in Europe has implied democracy for a couple of centuries now and which present-day Europe severely lacks. The word is also useful for allowing all manner of extraneous influences and entities to manage the business of running the EU’s affairs, corporations chief among them.

My second lexical hatred is for ‘stakeholder’. Non-native English speakers are to be excused if they use it: they don’t necessarily realize that in English a *stake* is always concerned with money, property or a bet of some kind. In the days of the American frontier, a pioneer moving West could lay, or ‘stake’, a claim to land – marking it physically with posts, or stakes at the corners. He then held a ‘stake’; today, like any stockholder, you can still buy a stake in a company. If you’re a gambler at the races, you might tell your neighbour ‘I’ve got a stake in that horse’ because you’ve made a bet on it, or tell a group of friends you don’t want to join their poker game because you could lose a lot of money – the stakes are too high.

This word too is a gift for the corporations. Legally, the law (and the profits) of a corporation holds that its fiduciary duty is to increase ‘shareholder value’. This distinctive requirement leaves out what the company may do to its workers or to the environment in order to attain that end. As long as they increase shareholder value and are not actually illegal, whatever measures the company chooses to employ are OK. Stakeholders were invented by business to accompany, at least nominally, shareholders. Their stakeholders could be workers, suppliers, customers and so on.

A stakeholder is therefore first someone who holds a proprietary, commercial or financial interest in a private entity. He

or she is surely also a *citizen* somewhere, but the two categories do not necessarily overlap and the term definitely does not include the general public or the body politic. Again, the European Commission uses 'stakeholder' constantly, trying to make it synonymous with 'citizen'. As the Commission doubtless realizes and tries to hide, a citizen is someone who has not only a material *interest* but also a political, civic and moral *right* to participate in the government and the affairs of their town, country or region.

If you want proof, just try being a stakeholder – in, say, the treaty negotiations between the European Union (EU) and the United States, which we'll look at more closely later on. You won't even be allowed a glance at the documents, much less a seat at the table or a channel to express your own views. Citizens are born that way; stakeholders are only stakeholders if the real power-holders say they are.

Here, now, is a quick 'legitimacy' checklist that virtually all Westerners – and a great many others – would accept. The hallmarks of legitimate power are: free and fair elections for designating officials to represent the people, constitutional government, the rule of law, equality before the law; separation of executive, legislative and judicial powers, checks and balances to prevent any one part of government from becoming too powerful, the separation of church and state. All these are crowned by the general notion of the 'consent of the governed'. People are supposed to have the right to change their government if they don't like the one they have, through elections, petitions, demonstrations and so on. If they are very lucky, their constitution will also contain provisions for referenda, citizen initiative and other participatory mechanisms.

Coupled with such provisions is the never-completed, always expanding list of individual and collective rights and freedoms as first set out in the French Declaration of the Rights of Man and of the Citizen of 1789 and the Bill of Rights of 1791 compris-

ing the first 10 amendments to the Constitution of the United States of America. These make explicit and legally secure such ideas as freedom of opinion, speech, worship, the press and so on. All these ideas were once considered revolutionary, as indeed they were, even when still woefully incomplete. At the time of the Declaration in France and the Bill of Rights in America, slavery still existed, women and minorities could not vote or exercise most rights, censorship was rampant and so on. But the notions of individual rights and freely elected governments that are obliged to protect and guarantee them are a vital part of the movement of the Enlightenment and an equally vital pillar of legitimate authority.

Depending on how far back one wants to go, the first stirrings of this movement can be dated from the seventeenth century or even earlier, but most see the Enlightenment as an eighteenth-century achievement. Its central thinkers defended the notion not just of rights and freedoms, but also of duties and norms of conduct for individual citizens and that of the common good. From these derive the famous French motto of *Liberté* (so long as you don't infringe on the *Liberté* of others), *Egalité* (where the law is concerned – don't expect it in the distribution of property) and *Fraternité* (or solidarity), especially with those less fortunate because we all are part of a common body and a common endeavour. These thinkers also defended rational thought and the scientific method against dogma and superstition and invented totally new concepts such as collective progress and individual happiness – radically new concepts at the time.¹

WHY DEFEND THIS MODEL?

I believe we must preserve and improve the democratic, Enlightenment model and believe further that it is gravely threatened by illegitimate power. After the end of the Great

Depression and of World War II, it seemed that the battles of the previous century and a half to extend democracy and expand our rights would never need to be fought again. Somehow the ghosts of the French revolutionaries and members of the National Council of the Resistance, of Franklin Roosevelt's New Dealers and John Maynard Keynes were watching over us. The welfare state wasn't perfect, but it was still by far the best thing the West had ever seen. Decolonization was progressing and the idea of 'development' for the poorer countries gave hope for the future. That view turned out to be naive. Little by little over the past few decades a new set of values has gradually taken centre stage, along with a great many changes for the worse in government.

Now standing against the Enlightenment model is *a new ideology of selfishness, greed and cruelty* – the Great Neoliberal Regression. It has steadily gained ground despite overwhelming proof that it is harmful to nearly everyone, except for the extremely wealthy, the topmost people on the corporate ladder and those who enrich themselves by manipulating money in the international casino economy. I did not foresee that such people, or such a system, could emerge not just unscathed but even stronger after the financial tsunami which struck in 2007–8 and with whose dismal aftermaths we still live. But this is what has happened.²

The neoliberal model makes false promises of prosperity and jobs for all but is both unable and unwilling to deliver. It has been thoroughly discredited – discredited intellectually, empirically and morally. Its theoretical and scientific or economic basis is nonexistent – even the International Monetary Fund (IMF) has published several papers to that effect – its practical consequences are harmful to the great majority and its morality indefensible if one still believes that the goal of government should be to strive for a fair society providing the greatest possible good for the greatest possible number.

Despite its manifest failures, the Great Neoliberal Regression has triumphed and continues to cause huge shifts of wealth and power in favour of the already richest and most powerful individuals, classes and corporations, while wreaking havoc for the middle class and the unprotected. One of the most recent findings in this direction is that of the gains from growth that have occurred since the crisis of 2007–8 in the USA: 95 per cent has gone to the top 1 per cent of Americans.³

In all the OECD countries, but particularly in the United States and Great Britain, inequalities have increased. In Europe, the shares of economic value produced in a given year and distributed between capital and labour have shifted drastically. In the 1970s, the share of value going to labour in the form of wages and salaries in Europe was about 70 per cent of the annual European GDP. The remaining 30 per cent went to capital in the form of dividends, profits and rents. Today, capital receives at least 40 per cent of GDP – in some countries more – and labour gets 60 per cent or less.

These 10 per cent gains for capital and losses for labour are not small change. Since the yearly economic product of Europe is about €13 trillion, ten points less of GDP means that European salaried people are losing about €1.3 trillion in revenues every year compared to what they would have received without such changes. The difference goes to capital. Corporate shareholders used to be content with dividends representing a return of 3 or 4 per cent a year; now the largest of them demand 10–12 per cent and more. The former goal of building a strong, healthy and lasting business enterprise well integrated into the community has been replaced by the single imperative of ‘shareholder value’, which encourages short-termism, asset stripping, mass layoffs and other negative consequences.

Furthermore, if working people had continued to receive those 10 points of GDP, our economies would be totally transformed. If the distribution of economic value were the same as

in the 1970s, an extra €1,300 billion would have poured into the real economy every year simply because wages and salaries go overwhelmingly into the purchase of goods and services or longer-term purchases such as houses. This spending is what keeps our economies ticking over. We could have financed public investments in services underpinning the common good and the infrastructure to create a green transition to a low or zero-carbon economy.

Today, at the urging of neoliberal regression enthusiasts, politicians actually *favour* policies guaranteed to lead to high unemployment and social breakdown. The wages of those who do have work are stagnant and sometimes falling, particularly in Southern Europe but even for a sizeable part of the German working class. Youth unemployment has reached dramatic levels. The wages of working people cannot possibly keep irrigating the economy, except for necessities. Capital on the other hand is reinvested, frequently in the purchase of financial products which create no social value, have little or nothing to do with the real economy and, as we have all too recently seen, can bring that real economy to its knees.

The next time someone proclaims that ‘labour is too expensive’, ask them why nobody ever says the same about capital – that is where the wealth has gone and it has never demanded such high remuneration.

Transnational corporations represent neoliberal practice in its purest form, and this is why I believe they must be got under control. I don’t say downsized or destroyed, but at least prevented from taking over the business of government. TNCs want deregulation and freedom from government oversight to the greatest possible extent and are writing the legal instruments to obtain it. They want the weakest possible labour unions or, where feasible, none at all. They want to take over public services and claim that their privatization is desirable because private enterprise can always be counted on to outper-